

A flying club providing economical flying facilities for its members but having no organized social and recreation program does not qualify for exemption under section 501(c)(7) of the Code.

Advice has been requested whether, under the circumstances described below, a club qualifies for exemption from Federal income tax under section 501(c)(7) of the Internal Revenue Code of 1954.

The club was organized to own and operate aircraft suitable for business or personal use by its members, to enable its members to improve their flying abilities, and, through the ownership, operation, and maintenance of flying equipment, to provide economical flying facilities for its members. Membership is open to all persons who are interested in flying.

The sole activity of the club involves the ownership, operation, and maintenance of the aircraft for use by the members. There is little commingling among members for social or recreational purposes.

Section 501(c)(7) of the Code provides for exemption from Federal income tax of clubs organized and operated exclusively for pleasure, recreation, and other nonprofitable purposes provided no part of the net earnings inures to the benefit of any private shareholder.

In order for a club to meet the requirements for exemption under section 501(c)(7) of the Code, there must be an established membership of individuals, personal contacts, and fellowship. Furthermore, a commingling of members must play a material part in the activities of the organization. See Rev. Rul. 58-589, C.B. 1958-2, 266, and Rev. Rul. 69-635, C.B. 1969-2, 126.

It is held that this club does not qualify for exemption from Federal income tax under section 501(c)(7) of the Code because the sole activity of this club is rendering flying services to its members and there is no significant commingling of its members.